

Copyright 1999 Information Access Company,
a Thomson Corporation Company;
ASAP
Copyright 1999 Delta Communications Inc.
Grocery Headquarters

May 1, 1999

SECTION: No. 5, Vol. 65; Pg. 60

IAC-ACC-NO: 54896062

LENGTH: 3725 words

HEADLINE: Siphoning off sales: having lost share in many categories to retail channels, supermarkets are looking to turn the tables as they go after the gasoline market.

BYLINE: Donegan, Priscilla

BODY:

"How long shall they kill our profits

While we stand aside and look?"

A little liberty with Bob Marley's verse tells the well-worn story of retail channel switching and the response by supermarkets.

It's no secret that grocers have lost share in recent years in numerous categories at the hands of mass merchants, wholesale clubs, convenience stores, category killers and other retail channels. But supermarkets may be standing aside no longer as they look for new categories to go after. One target appears to be the gasoline business.

A growing number of supermarkets are using gas to pump up sagging grocery sales. Among the players are Albertson's, H.E. Butt (HEB), Randalls/Tom Thumb, Minyard, Bi-Lo, Shaw's, Food Lion, Kroger, Meijer, Supervalu and Richfood.

According to the Food Marketing Institute's Speaks 1998 report, 4.6% of supermarkets offer gasoline. Bigger companies and bigger stores are most likely to be involved in the gas business, according to the report.

In a twist that may seem sweet to many grocers, supermarkets are viewed as a powerful alternative channel when it comes to the fuel business. But they're not alone in going after the gas market. Also targeting this business are mass merchandisers, most notably Wal-Mart, and wholesale clubs, including Sam's and PriceCostco. Together, these three channels - considered to be "non-traditional retailers" - are generally grouped under the heading of "hypermarkets" or HVR (high-volume retailers) in the gasoline world.

What's at stake? Some serious fuel. According to Gilbarco Inc., Greensboro, N.C., which manufactures gas dispensing equipment and systems, the total U.S. market for retail fuel in 1997 was 118,322,536,000 gallons. Convenience stores alone rang up \$ 83.8 billion in motor fuel sales in 1997, according to the National Association of Convenience Stores' (NACS) "1998 State of the Industry" report.

Currently, it is estimated that the "hypermarket" outlets account for anywhere from 0.5% to 2% of the gas market. While this share seems fairly negligible now, most observers expect it to continue growing, although there's little agreement on just how big a slice of the pie these retailers may ultimately get. Some believe that supermarkets, mass merchants and clubs may account for as much as 25% of gas sales within a decade, while others expect that their share will reach no more than 10%.

U.S. supermarkets entering the gas business can take a cue from Europe, where food retailers have long held a significant share of the retail fuel market. "In Europe, 'hypermarkets' have been selling gasoline for years," says David Waters, president of Retail Systems Group, a Houston, Texas-based consulting company in the convenience store industry. "In countries such as the United Kingdom, almost half of all gas stations are owned by grocery stores, hypermarkets or other retail chains."

While some U.S. supermarkets have sold gasoline for a number of years, only recently has the trend expanded at a significant pace. Trade observers point to a number of factors they believe are driving the current growth of gas in supermarkets.

"Supermarkets are looking at the sale of gas differently than it's been viewed in the past," says Larry Schlecht, vice president, retail services, Koch Petroleum Group, Wichita, Kan. "Now it's seen as an extension of the base retail business."

The role of technology also has been a critical element, according to observers. "One of the keys today is the technology that allows the grocer to move the sale of gasoline to the front of the store," says Schlecht. "For instance, we're testing a program at a Piggly Wiggly store where the sale of gasoline has been moved to the checkout lane with a prepaid card. This encourages the customers to associate the loyalty program with the sale of gas."

In fact, the use of loyalty programs in conjunction with the gas operation is another key element driving today's trend. "Supermarkets are using fuel as a very effective means to deepen their customer loyalty programs," says Ken Marion, manager, systems hardware, for Gilbarco Inc. "Customers always feel they're paying too much for gas. They see it as a real value if they can get a few cents off."

Houston, Texas-based Randalls/Tom Thumb is among the supermarket companies offering its frequent shopper members gas discounts through its loyalty program. "We tie in our Remarkable Card program to the gas operation," says Tye Anthony, group vice president, non-perishables for Randalls/Tom Thumb, which operates four fuel stations with plans to add more. "Customers self-scan their card at the pump and receive the discounted price on gas."

Grocers are also viewing their gas operations as logical extensions of the one-stop shopping concept. For instance, Albertson's, which opened its first Albertson's Express fuel center in late 1997 and reportedly plans to add up to 30 new gas sites per quarter, is operating kiosks or convenience stores at many of its locations with gas. In Midwest City, Okla., the company recently opened a fuel center with a 1,750-square-foot convenience store, featuring products ranging from automotive items to health and beauty care to dry grocery and perishables.

"We are committed to offering new services to meet the needs of our customers," says Joe Peterson, store director of the Midwest City unit. "Albertson's is adding value to the customer's one-stop-shopping trip by providing fuel centers."

Similarly, Randalls/Tom Thumb views gas as an additional convenience for its customers. "More than

anything, we try to find more things to bring to our customer base to enhance the one-stop-shopping concept," says Anthony. "The gas operation also provides an opportunity for us to capitalize on the real estate investment we already have."

So far, most supermarkets, including Randalls/Tom Thumb, have added small kiosks with their gas pumps, but some are building bigger stores. "I think you'll see more of them adding full-blown convenience stores," says David Auinbauh, director of operations, Retail Systems Group. "Might that take some business from their supermarkets? Yes, but it doesn't matter whether they get the customer into the supermarket or into the convenience store, as long as they get them."

Marion sees gas as a natural evolution of the trend toward creating destination centers. "Over the past five or six years, supermarkets have added things like banking and coffee bars," he says. "Gas is simply a logical extension of this."

In addition to providing an additional service to existing shoppers, gas is seen as a draw to attract new customers. "Gas is a way for us to attract new customers, particularly since from the standpoint of our supermarkets, we tend to have a higher-income demographic customer base," says Anthony. "But gas is spread across a broader demographic base. The gas business is different in terms of products than the food business. A slimmer line of products appeals to a broader base of customers. So we think it can help us expand our customer base."

How successful are supermarkets and the other new gas players at achieving their gas goals? Early findings from a recent study commissioned by NACS and conducted by MPSI Systems Inc., Tulsa, Okla., indicate that the results are mixed. For the study, MPSI examined two non-traditional providers of motor fuel: HEB and PriceCostco. In all, four stores selling gas were studied, as well as the reactions of focus groups and telephone surveys of store customers.

The results from HEB indicate that gas is not a draw for the stores' customers; rather, it is a convenience. While HEB customers reported that the grocery store itself was clean, well-merchandised, fairly priced and well-stocked, that image didn't translate clearly to the gas brand. Rarely was HEB gas the only gas that customers purchased.

The results from PriceCostco were somewhat different. The study found that the gas was a draw, with attractive prices pulling customers in. Customers expressed strong opinions about the store experience - the perception of getting a deal.

The pricing image was a key difference between the two operators. In the case of HEB, 49% of customers said gas prices were lower than other outlets, while 48% said they were priced the same. However, 91% of PriceCostco customers said gas prices were lower, while 8% said they were priced the same.

Some in the fuel business take issue with the methodology used for the NACS study, noting that two companies is not a sufficient sample, given that there are upwards of 30 players in the "hypermarket" segment. In addition, they question whether HEB and PriceCostco are representative of what the non-traditional retailers are doing with their gas operations.

Competitive issues are also playing a role in supermarkets' growing interest in the gas business. "A lot of grocers have been concerned that the convenience store industry is taking sales from them as they build larger and larger stores," says Schlecht. "Grocers see gasoline as a way to recapture some of the sales they've lost to convenience stores."

Many believe that competitive forces will continue to drive the trend. "Those retailers that don't have gas will be at a competitive disadvantage," says G. Randy Nicholson, CEO, AutoGas Systems Inc., Abilene, Texas.

Convenience store operators are clearly concerned about the encroachment of the "hypermarkets" on their territory. And understandably so. Gas is a huge business for c-stores, accounting for more than half of the industry's total sales, according to the NACS 1998 State of the Industry report. NACS has been keeping a close eye on this developing trend for some time, issuing regular updates to its members about the activities of supermarkets, mass discounters and clubs in the gas business.

"Convenience store owners would likely suffer if grocery stores begin pricing gasoline like they do groceries," says Waters of Retail Systems Group. "They are afraid that grocers may deeply discount gas like a loss-lead item just to get people into their parking lots and, eventually, into their stores. Grocers could even offer a free six-pack of soft drinks or a pound of hamburger if you fill up with 8 gallons or more of their gas. Those kinds of big-store tactics worry many in the convenience store industry because c-stores generally rely on much higher margins and less volume than grocery stores."

However, most observers note that the damage done by the new entrants is likely to cut across the spectrum of traditional gas marketers, rather than hitting any one segment too heavily. "The gains for 'hypermarkets' have to come at the expense of someone else. So there will be some lost share, but I expect it will be spread around, rather than hitting any one type of outlet," says Marion. "It will be a challenge for traditional outlets to position themselves against these new retailers. But the good ones will do that."

Will marginal c-store operators and traditional gas stations get knocked out of the game? Possibly, say trade observers. "If you're on the bubble, if you're marginal, you'll be hurt," says Nicholson. "The marketplace will do the same thing it does with anything else. Those who are good operators will stay in business. Those who aren't won't."

To stay in the game, observers say, convenience stores must take action. "Convenience stores will need to take a closer look at their pricing strategies, they will need to develop loyalty programs of their own and really work at developing their offering to compete better against these new outlets," says Auinbauh of Retail Systems Group.

While c-stores are clearly concerned and poised to take action, the big oil companies have been more subdued in their response. Many of the major oil companies have stayed away from partnering with the "hypermarket" operators.

"There's not been a lot of activity from the major oil companies in response to this," says Marion. "I think we're unlikely to see the majors partnering with the 'hypermarkets.' They don't want a retailer with their gas name to sell it at 10 cents less a gallon through a frequent shopper program than their branded station down the street."

Some trade observers expect that the major oil companies will watch what develops before getting involved. "I think we may see some of the majors getting involved in time, as long as it doesn't affect their jobber network," says Auinbauh.

James Carter, vice president of marketing for Exxon Co. U.S.A., Houston, Texas, speaking at the Cambridge Energy Research Associates Annual Executive Conference earlier this year, said that Exxon views the expansion of supermarkets and mass merchandisers into fuel services as a competitive opportunity.

"Ease of entry is not new to our business; our industry historically has been highly competitive," said Carter. "However, these new competitors look at the fuel services business from an entirely different perspective than traditional gasoline retailers. Supermarkets and mass merchandisers see gasoline as another low-margin item that will attract new customers, but it remains unclear that having gasoline pumps on their pad will increase their in-store customer count."

Some in the fuel business are viewing the entry of supermarkets as an opportunity to learn. "We think supermarkets offer lessons for the petroleum business," says Mike Zahajko, manager, new business development, Wayne Division, Dresser Industries, Austin, Texas. "Grocery has been running on such slim margins and has been using technology well for so long, and the petroleum business is not there yet. We're learning a lot."

By most accounts, supermarkets are doing fairly well with their fuel operations, but observers point out that there are a number of challenges that must be overcome. "It's a whole new learning experience for them," says Nicholson. "They don't have the expertise to do it on their own. So they'll go to people in the industry with experience, but all those people have is their past experience. With today's paradigm shift in the way gas is being marketed, you need to thoroughly look at it and think about the business from a new perspective."

Marion agrees. "Retailers need to integrate their gas operation into their overall marketing mix, not look at it as something separate," he says. "It must become part of the planning process when designing and developing stores. Putting in retail gas is really just the tip of the iceberg. The real issue is how you incorporate gas as part of the overall marketing of your products and services."

Anthony believes that the biggest challenge is developing a knowledge base of the gas business within the company.

"We have a dedicated person who went through an extensive learning process to develop an understanding of this business," he says. "We also were fortunate to have some people in the company with experience in the convenience store and gas business."

Other issues supermarkets must face include lease restrictions, as well as environmental and regulatory issues. "Today the environmental concern is very minute because of the technology, but it's still there," says Schlecht.

Albertson's, for instance, reports that it is working with city, state and federal agencies to ensure that EPA requirements and standards are being followed. In addition, says the company, state-of-the-art equipment is utilized out of concern for environmental issues.

Beyond these concerns, say observers, are the normal challenges that are associated with any construction and design project. "You deal with a different set of licenses and agencies, but with the same general issues, problems, opportunities and challenges," says Anthony.

Maintaining brand equity with the gas operation is also a challenge for supermarkets. "Obtaining the hardware, the technology and the know-how necessary to compete in today's retail gasoline business will require a meaningful investment of capital by supermarkets and superstores," said Exxon's Carter. "If the newcomers can't maintain a high quality of product and service in their fuel operations, they will compromise their brand image. And if selling gas doesn't work out for them, it's not like pulling some slow-selling cookies off the shelf - closing, then physically removing a fueling station is an expensive

task."

The majority of supermarkets have put their own brand name on their gas operation. This presents both a challenge and an opportunity, note observers. The challenge involves translating the name from the store to the gas business.

On the other hand, it provides another way for the supermarket operator to advertise the store. "It's a means to expand and solidify the brand in the community," says Schlecht.

Anthony notes that there may be resistance initially from consumers toward buying gas marketed under a supermarket company's name. "But I think you have to weigh the options of branding with a well-recognized gas name or offering better prices," he says. "How successful you are will depend on how good a job you've done developing your brand name. If you've done a good job, the trust level you've built with your supermarket should translate over to your gas business."

There seems to be overwhelming agreement that supermarkets' presence in the gas business will continue to grow over the next few years. "Within the next three to five years we will see grocery store chains offering their gasoline customers tailored grocery marketing messages that are based on each customer's previous buying behavior," says Waters. "Buying gasoline at a grocery store will become as natural as buying drugs and cosmetics. Grocery retailers will simply integrate another product into their inventory."

Most observers expect the dynamics of the fuel business to change considerably before the dust settles, as new operators continue to enter the market. For instance, Home Depot and Eckerd are reportedly planning to add gas to some of their units.

How big a role will supermarkets play? "We expect supermarkets to be a big factor in this business in the long-term," says Anthony. "A lot of supermarkets have been doing well with this for a number of years, but only recently have people taken notice and more companies are getting involved. We expect it will be a strong piece of the supermarket business in the future."

Some believe that the impact of these new retailers, in fact, will be deep and lasting. "We believe this trend will cause a paradigm shift in the marketing of gasoline," says Nicholson. "The old traditional way was for a convenience store or petroleum company to take a high-traffic corner location that would only draw from 1 1/2 to 2 miles and put up a price sign. Then the guy on the next corner would drop his prices, and the guy on the other corner would drop his. The high-volume retailers don't have to do that because they are already getting the customers in. Nearly every consumer goes to the grocery store, but that's not true for convenience stores."

Schlecht agrees that the ultimate impact on the gas business may be enormous. "I think this may result in a revolution in retailing," he says. "It will change how convenience store operators look at their business; they will think about their stores more as destination centers. This trend has the potential to have a significant impact on how gas is marketed long-term. The local grocery store generally is the most trusted retailer in the community. Traditional gas marketers shouldn't underestimate the potential of supermarkets to change the gas business."

Questions to ask before fueling up

Observers note that there are a number of key questions that supermarkets should consider before diving into the gas business. Chief among them is whether they intend to operate the fuel stations themselves, as a joint venture or as a straight lease situation.

Some, like Randalls/Tom Thumb, have elected to run their fuel operations themselves. "The logical owner should be the retailer," says Larry Schlecht, vice president, retail services, Koch Petroleum Group, Wichita, Kan. "It's easier to cross-merchandise and cross-manage if they own the gas business."

Others prefer to take the joint venture route, partnering with a fuel company. For instance, Bi-Lo, Greenville, S.C., has established an alliance with Clark Refining & Marketing Inc., St. Louis, Mo. Clark reportedly is developing its "On The Go" gas stations at several Bi-Lo stores.

The value of a joint venture is that a regional refiner, for instance, puts up the capital dollars for the infrastructure and the supply side of the operation. "The supermarket provides the customer base and the land and doesn't have to worry about capital outlay," says G. Randy Nicholson, CEO, AutoGas Systems Inc., Abilene, Texas.

Another important consideration is determining which locations are best suited for a gas operation. "We try to forecast factors such as traffic flow to the location and area demographics," says Tye Anthony, group vice president, non-perishables for Randalls/Tom Thumb, Houston, Texas. "We also look at the size of the real estate to determine whether we can logistically put gas on the site.

"Following are additional questions to consider:

- * Should the fuel stations be unattended or attended? What are the labor implications?
- * Should the gas operation include a kiosk or a convenience store?
- * What products will be sold through the kiosk/convenience store?
- * Should you tie in your loyalty program?
- * Should you offer loyalty card members discounts on gas?
- * Should you promote the gas business in-store? In what way?

Facts on fuel

- * Total U.S. market for retail fuel in 1997: 118,322,536,000 gallons
- * Total number of retail petroleum outlets (all channels): 175,000
- * Projected fuel sold through "hypermarkets" (supermarkets/mass merchandisers/wholesale clubs) in 1999: 900,000,000 gallons
- * Estimated average per-site sales for hypermarkets: 1,800,000 gallons per month
- * Projected number of "hypermarket" fuel sites in 1999: 500
- * Estimated "hypermarket" outlet share of fuel business: 0.76%

Source: Glibarco Inc.

LANGUAGE: ENGLISH

IAC-CREATE-DATE: June 30, 1999

LOAD-DATE: July 01, 1999

FOCUSTM

Search: General News;gilbarco and (prepay* or prepaid? or "pre pay" or "pre...

To narrow this search, please enter a word or phrase:

Example: House of Representatives

[About LEXIS-NEXIS](#) | [Terms and Conditions](#) | [What's New](#)

Copyright© 1999 LEXIS-NEXIS, a division of Reed Elsevier Inc. All rights reserved.

Copyright 1998 Business Wire, Inc.
Business Wire

February 10, 1998, Tuesday

DISTRIBUTION: Business/Technology Editors

LENGTH: 639 words

HEADLINE: Leading Gasoline Dispenser Manufacturer, Gilbarco Inc. Integrates Tiris Radio Frequency Technology and Will Install At Mobil Stations Soon

DATELINE: DALLAS

BODY:

Feb. 10, 1998--Gilbarco Inc., based in Greensboro, N.C., announced plans today for a second quarter roll-out and installation of field retro kits that add TIRIS technology to Gilbarco gasoline dispensers for Mobil. TI currently supplies TIRIS components to another of the nation's leading dispenser manufacturers in conjunction with Mobil Oil Corporation's nationwide Speedpass(TM) program. Billed as "the fastest way to get gas," Speedpass allows Mobil customers the ease and convenience of automated payment using both TIRIS key ring and vehicle transponders. The Speedpass program encompasses 20 metropolitan areas throughout the country and boasts an enrollment of over one million customers. "Mobil selected TIRIS due to its years of field-proven capability and design adaptability," said Joe Minai, Retail Automation Manager for Mobil's Marketing and Refining Division. "We are pleased to have Gilbarco involved with this technology and able to provide the system. Customers want faster, easier purchases, and we advocate the industry-wide adoption of this technology," he added. Keeping stride, Gilbarco will provide the necessary Speedpass equipment to Mobil franchises by retrofitting its own dispensers outfitted with TIRIS readers. Gilbarco plans to offer the TIRIS system as a factory-installed option on new dispensers in the third quarter of 1998. -0-

NOTES TO THE EDITOR: Mobil has been the first in the industry to develop customer-oriented electronic payment systems, including bank debit cards, pump-located Customer Activated Terminal (pay-at-the-pump), and the Mobil Go Card, a pre-paid card. Mobil is a leading oil, natural gas and petrochemical company. In the U.S., the corporation markets gasoline in 28 states and the District of Columbia through 7,700 Mobil-branded service stations. Gilbarco, headquartered in Greensboro, North Carolina is the leading manufacturer of fuel dispensers and service station automation equipment with affiliated manufacturing facilities worldwide. Gilbarco's The Advantage(R) dispenser series with CRIND(TM) (Card Reader in Dispenser) and G-SITE(TM) POS systems have set industry standards for service station automation and customer convenience. Texas Instruments Incorporated is a global semiconductor company and the world's leading designer and supplier of digital signal processing solutions, the engines driving the digitization of electronics. Headquartered in Dallas, Texas, the company's products also include calculators, controls and sensors, metallurgical materials and digital light processing technologies. The company has manufacturing or sales operations in more than 25 countries. Texas Instruments is traded on the New York Stock Exchange under the symbol TXN. More information is located on the World Wide Web at <http://www.ti.com>. Texas Instruments entered the radio frequency identification (RFID) market in 1991 with the worldwide introduction of TIRIS (Texas Instruments Registration and Identification System). Fusing together core competencies in advanced semiconductors, microelectronic packaging and computer system design, TIRIS has become a standard-setting technology used in thousands of object tracking and data collection applications around the world.

CONTACT: Texas Instruments
Susy d'Hont, 972/917 1451
OR
Bridgeman Communications
Dave Blackburn, 617/742-7270
OR
Gilbarco Inc.
Vincent Holbrook, 910/547-3220

Today's News On The Net - Business Wire's full file on the Internet
with Hyperlinks to your home page.

URL: <http://www.businesswire.com>

LANGUAGE: ENGLISH

LOAD-DATE: February 11, 1998

FOCUSTM

Search: General News;gilbarco and (prepay* or prepaid? or "pre pay" or "pre...

To narrow this search, please enter a word or phrase:

Example: House of Representatives

Copyright 1998 Information Access Company,
a Thomson Corporation Company;
ASAP
Copyright 1998 National Petroleum News
National Petroleum News

May, 1998

SECTION: No. 5, Vol. 90; Pg. 52; ISSN: 0149-5267

IAC-ACC-NO: 20852897

LENGTH: 1523 words

HEADLINE: Electronic benefits transfer keys into store payment mix.

BYLINE: Abcede, Angel

BODY:

The march by federal and state governments to automate their food stamp and benefits programs poses yet another challenge for convenience stores. The already varied mix of plastic payment options - credit and debit, major oil and fleet, prepaid and loyalty - generates issues of integration, transaction fees and extended check-out times.

But where some see the onset of a mandated headache, others see a new frontier of opportunity. By the year 2002, government coffers will distribute \$ 111 billion in benefits annually. That's enough to relieve any tension over the issue of electronic benefits transfer (EBT).

"We had decided it was too costly to handle anything but food stamps [electronically]," says Sandi Westbrook, vice president of systems development for QuikTrip Corp., Tulsa, Okla. "But that \$ 111 billion figure caught my attention."

Speaking this past spring in Chicago at a technical conference sponsored by the National Assn. of Convenience Stores, Westbrook says the major problem QuikTrip experienced with EBT is when the transaction fails. She says clerks believe that in general, EBT works well, but when the system is down, they have to handle the transaction off-line. That paperwork can bring check-out times to a standstill.

Other problems they've encountered include similar on-hands issues. For example, sometimes customers key in their personal identification number (PIN) too fast for the system. That can mean a customer has to enter his PIN two or three times before the system responds.

QuikTrip also has to deal with interoperability issues. Being a multi-state marketer, the company must handle four states that run their EBT programs through three different networks.

Inter-operability between states, processing issues and transaction fees are the big hot buttons with EBT. And it appears that the more a marketer or C-store operator knows, the more he will be able to take a proactive approach to this new wave of plastic payment.

State developments

The federal government and states have moved quickly in the past three years to implement EBT programs. In an ideal world, all states would be on the same system, so that marketers and retailers operating in different states could use the same rules, hardware and networks. But this is not an ideal world.

The way things have shaped up is that several states have formed alliances, grouping themselves regionally and obtaining the same systems. Other maverick states have begun programs totally on their own. Ohio and Wyoming for instance have initiated "smart" card (plastic cards embedded with a microchip) efforts, where most other states are choosing magnetic stripe cards.

Currently, 16 states have operational, on-line, food stamp, EBT systems. These states are Alabama, Colorado, Connecticut, Idaho, Illinois, Kansas, Louisiana, Maryland, Massachusetts, New Mexico, North Dakota, Oklahoma, South Carolina, South Dakota, Texas and Utah.

Another 12 have programs that are expanding statewide or are operational in a certain area of the state. These states are Alaska (pilot in the Juneau area), Arkansas, California (San Bernardino County), Florida (Escambia [Pensacola], Duval [Jacksonville], and portions of Dade counties), Georgia, Hawaii (the island of Kauai), Iowa (Linn County [Cedar Rapids]), Minnesota, Missouri, New Jersey (Camden, Essex and Hudson counties), Oregon and Pennsylvania.

Two states have off-line, food stamp, EBT programs. They are Ohio and Wyoming.

Ten states and the District of Columbia have approved contracts for the statewide implementation of EBT systems. These states are Arizona, New Hampshire, North Carolina, Indiana, Rhode Island, Kentucky, Tennessee, New York, Vermont and New Jersey (for statewide implementation).

Four states have selected EBT vendors prior to obtaining approved contracts. These states are Maine (as part of the Northeast Coalition of States), Michigan, Mississippi and Washington (as part of the Western States EBT Alliance).

Finally, three states and Puerto Rico have issued requests for proposals for the implementation of an EBT system. Those states are Iowa (statewide expansion), New Mexico (food stamps, cash and other programs) and Wyoming (statewide expansion).

Making alliances

With the emergence of EBT, three major coalitions have formed. Within these coalitions, the EBT systems are the same. So, within the coalition of states, marketers and C-store operators don't have to worry about different pieces of equipment or different networks. But between alliances, these differences will exist.

The Southern Alliance of States covers Alabama, Arkansas, Florida, Georgia, Kentucky, Missouri, North Carolina and Tennessee. The Northeastern Coalition of States includes Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island and Vermont. The Western States EBT Assn. covers Arkansas, Arizona, Colorado, Hawaii, Idaho and Washington.

Food stamps, cash

As EBT plays out, marketers and C-store operators must begin to understand the nuts and bolts, what EBT is, how it works and what issues have yet to be resolved.

Basically, EBT falls into two categories: food stamps and cash benefits. The general category of food

stamps can also include the Special Supplemental Food Program for Women, Infants and Children (WIC). Cash benefits programs can include Aid to Families with Dependent Children, Child Support Enforcement Program, Refugee Assistance, Low Income Energy Assistance, Social Security, Supplemental Security Income programs, Veterans Benefit programs and Unemployment Insurance programs. In general, states have yet to put all of these programs onto their systems.

In a typical EBT set-up, transactions are processed at the point-of-sale (POS) terminal. That terminal could be the integrated device owned by the store and used for other plastic transactions. It could also be owned by the third party processor, who provides the device and the service for a fee. There could also be a terminal specifically dedicated to food stamps and provided by the government.

Marketers and retailers can accept food stamps alone, cash only or both. Their options are contingent on meeting certain criteria. For instance, to become an authorized food stamp retailer, the Food and Consumer Service section of the U.S. Department of Agriculture has a set of rules that must be met. To accept cash benefits, marketers and retailers must meet criteria set by the Quest Operating Rules and other state requirements.

Unsettled issues

While much activity has paved the way for EBT, many issues remain unsettled. Panelists at the NACS conference pointed out several issues that marketers and C-store operators should be aware of.

- * **Adjustments.** If a customer spends \$ 50 at a C-store, but his account is not debited, there are no procedures to cover the glitch, says Craig Sadick, vice president of state public affairs with the Food Marketing Institute, Washington, D.C. "The government doesn't have regulations."

- * **Inter-operability among all states.** Brenda Washington, product manager of EBT for BUYPASS, Atlanta, Ga., says the ability for customers to access their accounts when they travel to different states is important, and only exists today within coalitions.

- * **Surcharging.** Like the fees associated with automated teller machines (ATMs), these convenience fees for cash are a bone of contention. Should they be charged? And who should lay claim to those fees if they are?

- * **Transaction fees.** Another concern marketers and retailers have is if EBT becomes a credit rather than a debit transaction. If it becomes similar to a Visa transaction, then the fees charged to the retailers can be substantially more.

- * **Equipment upgrades.** EBT will have a significant effect on the POS devices both in-store and at the pump, says Ken Marion, manager of retail automation for Gilbarco Inc., Greensboro, N.C. With an estimated 50,000 integrated systems and 400,000 card readers (two-thirds in dispensers) in the field already, Marion says hardware and software upgrades to the POS, dispenser card reader, controller and network host may be involved.

What to do?

With the oncoming march of EBT, marketers and retailers may begin to take a fight or flight stance. Lawsuits in Pennsylvania, Louisiana and New York, for instance, have wrestled with issues such as transaction fees and equipment costs.

NACS says that for the most part, agreements between the EBT vendors and those operating the C-stores

can benefit retailers. For instance, NACS says that marketers and C-store operators should be able to put surcharges on cash back transactions.

Ultimately, it will be up to the individual business to decide how involved they want to be with EBT. In some cases, EBT vendors will approach retailers because they are required to offer recipients a certain number of facilities where they can purchase goods.

But as marketers and retailers weigh the pros and cons of EBT, store demographics, customer demand and competition will force the issue as readily as federal and state mandates.

GRAPHIC: Photograph; Illustration

LANGUAGE: ENGLISH

IAC-CREATE-DATE: July 8, 1998

LOAD-DATE: July 09, 1998

FOCUS™

Search: General News;gilbarco and (prepay* or prepaid? or "pre pay" or "pre...

To narrow this search, please enter a word or phrase:

FOCUS

Example: House of Representatives
